

POLITICAL REFORM ACT TASK FORCE

Topic

Electronic Filing

Task Force Members:

Pelham/Howard

Background

In 1997, the Legislature passed the Online Disclosure Act, which provided for electronic and online disclosure of campaign reports for all state committees that had receipts or expenditures of \$50,000 or more after July 1, 2000. A free, web-based filing system (Cal Access) was made available to submit and file campaign reports. Candidates and committees also had the ability to utilize private vendor software to accomplish on-line filings.

The Bipartisan Commission on the Political Reform Act of 1974 was created in 1998 to assess the effects of the Act on candidates and committees, and it was charged with issuing a final report to the Legislature. The final report concluded that since implementation of electronic filing requirements was just occurring, it was not able to adequately and substantially address electronic filing and internet disclosure at that time.

In 2006, Secretary of State Bruce McPherson initiated the Secretary of State's Task Force on Online Disclosure of Campaign Finance Statements. The task force made the following electronic filing policy recommendations which were divided into short range and long range areas:

Short Range

1. Improve the free online filing system.
2. Improve functionality of the search system.
3. Make discrete improvements to the database to improve functionality.

Long Range

1. Move from form-driven to data-driven reporting; and
2. Create a combined state and local disclosure system.

In 2009, the Fair Political Practices Commission convened a Subcommittee on Internet Political Activity comprised of Commissioners Elizabeth Garrett and Timothy A. Hodson as its members. The Subcommittee was charged with building on the Bipartisan Commission's 2003 report, with a focus on gathering information and soliciting input regarding the current role of electronic communication in California political campaigns. In its report on Internet Political Activity, the Subcommittee made a recommendation that the Commission should support the interoperability of online campaign reporting systems at the state and local levels.

Meeting with Secretary of State

On November 8, 2010, LeeAnn Pelham, Dixie Howard, Lynda Cassady and Hyla Wagner met with staff from the Secretary of State's Office (SOS) to discuss electronic filing issues. During the meeting, we requested input from SOS staff on the feasibility of electronic filing for all state and local committees with a goal towards a state and local integrated system as a tool for sharing data to provide for greater transparency and accountability; revamping the current filing structure to provide for a data-driven reporting format; and short term goals of simplifying forms. Because recommendations were made to implement an electronic filing program by the Task Force on Online Disclosure of Campaign Finance Statements, we asked SOS staff for information on the outcome of the feasibility study undertaken after the task force concluded. They responded that four electronic filing alternatives were discussed: 1) status quo; 2) technological changes; 3) off-site purchase; 4) a customized option. However, to date, there has not been funding for options 2 through 4.

SOS staff stated that there has not been a lot of focus on including local filers into a consolidated system. There was discussion about local jurisdictions that are currently using an electronic filing format being able to interface with the current system, and the outcome was that this issue is very technical in nature and would require careful review before moving forward. In order to transition from an old to a new electronic filing system, SOS staff stated that one cost estimate was \$8 million for transitioning to a new system. They cautioned, however, that the estimate may change depending on how a new system varies from the system they envisioned.

Because the current Cal-Access system was designed over ten years ago, SOS related that some of the issues they face are the following:

1. A large individual filing puts more stress on the current system than when multiple users file. For example, SOS staff had to create a work-around solution to handle the filings when large reports were filed in connection with Proposition 8.
2. In order to make changes to the existing program when new forms are instituted or existing forms are revised, IT specialists have to be hired to handle these changes which can get very expensive. SOS staff stressed that form changes should be made only if absolutely necessary.

We will continue to work with Secretary of State's Office staff on an ongoing basis to examine potential costs of transitioning from an old to a new electronic filing system. They are going to provide data, for example, on whether they are able to absorb all state committees into their existing system without regard to the \$25,000 filing threshold which takes effect on January 1, 2011. At present, the volume of filers with the SOS includes approximately 350 statewide and legislative candidates who ran in the June primary election and some 3,000 major donor filers for 2009-2010. SOS staff stated that they are very interested in the recommendations the task force makes, and look forward to continuing to work with us on this project.

Local Filing Officer Issues

We have had preliminary discussions on the issue of electronic filing at the local level with city clerks who are high level members of the California City Clerks Association, and several local ethics commissions. They are open to the concept of electronic filing via a state filing system as long as they are able to preserve their autonomy to continue performing their filing officer duties. The Clerks, for example, stated that they would want to continue to have responsibility for following up on non-filed statements, assessing fines for late filers, referring non-filers to either the FPPC Enforcement Division or the local District Attorney, and reviewing statements. One immediate benefit we see for all filing officers is that they could devote fewer resources to providing public access to statements -- as they would be available online -- and therefore they could provide more value-added work to help filers comply with disclosure requirements. In addition, there would conceivably be fewer mistakes on campaign filings which would require the filing officer to request amendments.

Information on implementation costs

In addition to the state electronic filing system, 21 local jurisdictions in California have electronic filing systems in place. As shown in the attached chart, 18 of these jurisdictions contract with a third party vendor to host their filing system, while three host them in house. Information about the rough costs for the development and annual maintenance or licensing fees, the volume of transactions handled by these systems, and the url for their online search page also appear in the attachment for those jurisdictions that were able to provide the information to us by November 10.

Conclusion

There is wide agreement from those who provided input as filing officers, from the regulated community, and from political watchdogs and analysts, that achieving a consolidated web-based method for statewide electronic filing is both technologically possible and desirable. One that consolidates all disclosures required by the Act into a single online database that is searchable and statewide, that builds on and networks with local e-filing systems, and that is mandatory for all qualifying committees, would provide more transparency in election campaigns while simplifying compliance for filers. The other task force recommendations of raising the committee qualification thresholds and reporting thresholds would address concerns of requiring very small campaigns to file electronically.

Recommendations

To dramatically improve on the current form-based filing system, simplify reporting for filers, and allow the public, press and political analysts the ability to perform a wide variety of search options that would further promote access and transparency, we urge the Task Force to:

1. Endorse the development of a new “data driven” web-based campaign filing system that:

- a. consolidates all data required to be reported by the Political Reform Act into a single, searchable, online database;
- b. is mandatory for all qualifying committees, whether state or local; and
- c. is built as a statewide network that flexibly leverages and adapts to existing local e-filing systems.

2. Recommend a two-phase approach to implementation:

Phase 1

Require all state committees to file electronically, without regard to the amount of money raised or spent. Information from SOS on the viability of this option with their existing technology is pending.

Set up a process to import data from local jurisdictions that have their own e-filing systems into a consolidated statewide system.

Institute two working groups to assist in the development process within specified timeframes.

- a. A technology subcommittee comprised of IT staff from state and local agencies with current e-filing systems would provide further detail regarding the methods and technology requirements of a consolidated state electronic filing network.
- b. A separate state and local filing officers working group would provide insights into operational issues and approaches that should be considered with implementation of a new system.

Phase 2

Enable a direct data-entry capability for filers in local jurisdictions without electronic filing systems.

3. Recommend that the State move forward on legislation which would provide adequate appropriations for this purpose.

We think it is extremely important to utilize our task force as a tool to keep the dialogue flowing between all interested parties to meet the goals that are proposed. We realize, in these economic times, that finding funding streams to make these projects a reality will be challenging, but will ultimately benefit the people of California if these goals are met.

Local California Jurisdictions with Electronic Filing Systems

<u>Jurisdiction</u>	<u>System in Use</u>	<u>Year Started</u>	<u>Start Up Cost Reported by Jurisdiction</u>	<u>Annual Cost Reported by Jurisdiction</u>	<u>Averages</u>		
					<u>Calendar Year Number of Reported Filings</u>	<u>Calendar Year Number of Reported Contributions</u>	<u>Calendar Year Number of Reported Expenditures</u>
Alameda, County	Netfile						
Anaheim, City	Netfile						
Berkeley, City	Netfile	2007	\$0	\$22,800	400	1,800	600
Huntington Beach, City	Netfile						
Long Beach, City	LA City	2003	\$30,000	\$73,634	145	3,726	1,679
Los Angeles, City	LA City	2001	\$257,000	\$34,000	423	28,890	9,491
Los Angeles, County	LA City	2006	\$70,000	\$12,000	125	10,000	3,000
Oakland, City	Netfile						
Orange, County	Netfile						
Pleasanton, City	Netfile						
Riverside, County	Netfile						
Sacramento, City	Netfile						
San Bernardino, County	Netfile						
San Diego, City	Netfile	2006	\$40,000	\$41,900	200	2,000	2,000
San Francisco, City/County	Netfile	1999,	\$0	\$36,000	774	9,430	3,953
San Jose, City	Netfile	2005	\$0	\$63,000	551		
Santa Barbara, City	Netfile						
Santa Clara, City	Netfile						
Santa Clara, County	Netfile						
Santa Monica, City	Netfile						
Sunnyvale, City	Netfile	2009	\$18,500	\$18,500	100		

Notes:

Figures as reported through 11/10/10.

Costs reported include cost of SEI subsystem (Berkeley, San Jose)

Total filings, contributions and expenditures are election year averages (Berkeley)

Contrib/Exp. totals not provided (Sunnyvale, San Jose).

Local California Jurisdictions with Electronic Filing Systems

<u>Jurisdiction</u>	<u>url for Online Search Function</u>
Alameda, County	http://nf4.netfile.com/pub2/Default.aspx?aid=COA
Anaheim, City	http://nf4.netfile.com/pub2/Default.aspx?aid=ANA
Berkeley, City	http://nf4.netfile.com/pub2/Default.aspx?aid=BRK
Huntington Beach, City	http://nf4.netfile.com/pub2/Default.aspx?aid=CHB
Long Beach, City	http://www2.longbeach.gov/efs/public_search.cfm
Los Angeles, City	http://ethics.lacity.org/disclosure/campaign/search/public_search.cfm
Los Angeles, County	https://efs.lacounty.gov/public_search.cfm
Oakland, City	
Orange, County	http://nf4.netfile.com/pub2/?aid=coc
Pleasanton, City	http://nf4.netfile.com/pub2/Default.aspx?aid=COP
Riverside, County	http://nf4.netfile.com/pub2/Default.aspx?aid=CTRIV
Sacramento, City	http://nf4.netfile.com/pub2/Default.aspx?aid=SAC
San Bernardino, County	http://nf4.netfile.com/pub2/Default.aspx?aid=SBD
San Diego, City	https://ssl.netfile.com/pub2/Default.aspx?aid=CSD&AspxAutoDetectCookieSupport=1
San Francisco, City/County	http://nf4.netfile.com/pub2/Default.aspx?aid=SFO
San Jose, City	http://nf4.netfile.com/pub2/Default.aspx?aid=SJO
Santa Barbara, City	http://nf4.netfile.com/pub2/Default.aspx?aid=CSB
Santa Clara, City	http://nf4.netfile.com/pub2/Default.aspx?aid=CSC
Santa Clara, County	http://nf4.netfile.com/pub2/Default.aspx?aid=SCC
Santa Monica, City	http://nf4.netfile.com/pub2/Default.aspx?aid=CSM
Sunnyvale, City	http://nf4.netfile.com/pub2/Default.aspx?aid=COS